

How a Reinsurance Company

Can Shift Risk, Protect Assets, and Reduce Taxes



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 **TRURE**
Reinsurance REimagined

What Is Insurance?

Insurance is a way to protect yourself or your business from risk.

-  You pay an insurance company a premium.
-  In return, they agree to cover you if something unexpected happens—like a lawsuit, data breach, fire, or major loss.
-  If a claim is filed, the insurance company pays.
-  If there's no claim, they keep the premium and earn a profit.



What Is a Fronting Company?

A fronting company is a licensed insurance carrier that issues the policy and takes on the initial risk.



It usually keeps a small portion of the premium and then cedes some, or all of the risk to another insurance company (Reinsurer).

To cede risk means to legally transfer some or all of the financial responsibility for a potential claim to another insurance company.

What Is Reinsurance?

A reinsurance company is an insurance company that insures other insurance companies.

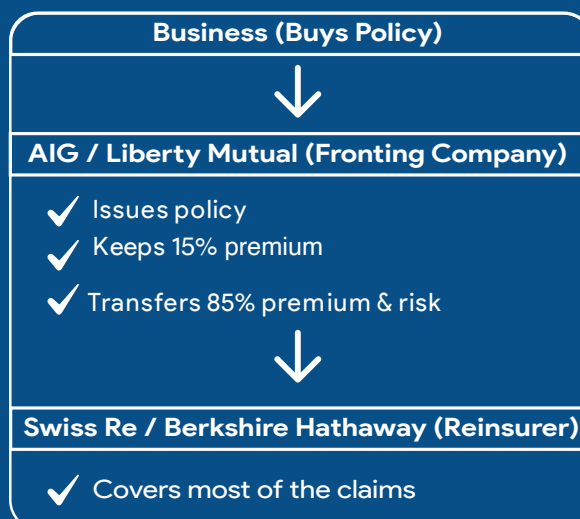
When a fronting company doesn't want to retain all the risk, it transfers that risk to a reinsurer.

The reinsurer receives most of the premium and is contractually responsible for reimbursing claims to the fronting company.

This allows the fronting company to maintain the client relationship while passing on most of the financial exposure.

Example:

The insurer issues the policy, but some or all risk and premium go to the reinsurer behind the scenes.



How Insurance Companies Are Regulated

Most people assume insurance is federally regulated—but it's not.

- ✓ Insurance is regulated state by state, with each state having its own licensing, compliance, and oversight rules.
- ✓ This fragmented system can make it costly, slow, and difficult for a business owner to establish a new insurance company.

The Alternative: Tribal Insurance Domiciles

Some federally recognized Native American tribes have established their own Insurance Departments under sovereign authority. Because tribes are legally recognized as sovereign governments. Tribal insurance entities:

- ✓ Are not subject to state insurance laws
- ✓ Authorized to license and regulate insurance companies
- ✓ Offer faster setup and simplified compliance
- ✓ Eliminate the burden of navigating 50 different state regulations
- ✓ Provide a business-friendly regulatory environment
- ✓ Are recognized by the IRS as legitimate insurance companies.

Why This Matters for Business Owners

Because of tribal insurance law, a strategy that once required a lot of investment in legal, regulatory, and setup costs is now accessible to successful private businesses.

With a properly structured tribal insurance domicile, you can now legally own your own reinsurance company—with legitimate risk, compliance, and tax benefits—without the complexity and cost of traditional state regulation.

How You Can Use a Reinsurance Strategy to Shift Risk, Protect Assets, and Reduce Taxes

Here's how the strategy works:



The fronting company identifies potential real risks outside of your current commercial policies (e.g., legal defense, business interruption, audit risk, cyber liability, and many more).



Your business requests an actuarial audit from a legitimate fronting insurance company domiciled on a federally recognized Native American tribe.



Once the real risk is determined, your operating company purchases a policy from the policy issuing fronting company.



You, personally, form a reinsurance company domiciled on the same federally recognized Native American tribe as the fronting company.



The fronting company keeps a small portion of the premium and risk, then cedes the remaining risk and premium to your reinsurance company.



Your operating business receives a full tax deduction for the premiums paid to the fronting insurance company.

Important Note:

Even though the fronting company cedes risk to your reinsurance company, it only cedes the portion related to your specific policy. Your reinsurance company is only responsible for your business's risk—not for any other company's claims.

Tax Benefits and Long-Term Growth

While this is first and foremost about managing risk—it's also a strategic financial tool.

- ✓ Your business deducts the premium under IRC §162.
- ✓ The dollars inside your reinsurance company can be strategically reinvested to build long-term wealth.
- ✓ Those assets can potentially be invested at a tax advantage, shielded from lawsuits and creditors, providing added protection.

Also, your reinsurance company operates under statutory insurance accounting, which legally allows it to build and retain loss reserves. This can help you grow assets inside the reinsurance company tax-free until an eventual exit.

In short: You legally pay premiums to manage real risk, earning a 100% tax deduction at your operating business. After the ceding cost, the remaining funds can be reinvested—often with better tax treatment, protection from creditors, and access later at long-term capital gains rates or potentially even more favorable tax outcomes.

Why This Can Build More Wealth Than a 401(k), Profit Share Plan, Cash Balance Plan, Defined Benefit Plan and/or etc

Once a legitimate insurable risk is defined and underwritten, this structure becomes a powerful wealth-building tool.

Traditional plans have limits and increased costs:



You must contribute for employees, which increases cost.



While your contributions are tax-deferred, withdrawals are taxed at ordinary income rates—meaning you defer taxes on a lower amount and pay tax on a higher balance, potentially increasing your tax bill.



Contributions are capped by IRS rules.



You cannot use the money as collateral or to fund other business opportunities.



You may face limited investment options.

By contrast, your reinsurance company:

- ✓ Allows full deduction at the business level—not just a deferral.
- ✓ Provides risk protection above and beyond your commercial general policy coverages.
- ✓ Grows capital tax-deferred under insurance rules.
- ✓ Enables lower effective tax rates when funds are accessed.
- ✓ Doesn't require employee participation.
- ✓ Keeps control and benefit focused on ownership.

For business owners, this can be a far more flexible and efficient alternative to qualified retirement plans.





Why This Strategy Is IRS-Compliant and How We Help You Do It Right

The IRS permits this strategy when three key requirements are met:



1. Risk Shifting

Requirement: Real financial risk must transfer from your business to the policy issuing fronting company.

How this is met: The fronting company issues a real policy and, ultimately, cedes the risk to your licensed reinsurance company, which is contractually obligated to reimburse the fronting company if a claim occurs.



2. Risk Distribution

Requirement: Insurance must spread risk across unrelated parties.

How this is met: The fronting company writes policies for multiple unrelated businesses. The fronting company provides the necessary risk exposure calculations to meet IRS standards.



3. Economic Substance

Requirement: Insurance must spread risk across unrelated parties.

How this is met: The fronting company writes similar policies for multiple unrelated businesses. Your reinsurance company only covers your policy, but the fronting company provides the necessary risk exposure calculations and definitions to meet IRS standards.

How this is met:



Your company is properly licensed and regulated.



It uses statutory accounting and proper underwriting.



It holds capital reserves.



It is built for long-term operations —not short-term tax advantages.

How This Differs from a Micro Captive (831(b))

Some businesses have used “micro captives” to pursue similar goals, but the IRS has issued warnings due to misuse.

A micro captive:

1

Elects special tax treatment under IRC §831(b).

2

Issues policies directly and may keep up to \$2.8 million in premiums tax-free.

3

Has faced heavy IRS scrutiny due to weak risk transfer and lack of economic substance.

How our reinsurance structure is different—and stronger:



You buy a legitimate policy from a unrelated licensed fronting company.



Risk is transferred to your reinsurance company through a formal reinsurance agreement with the fronting company.



No special elections are used—your reinsurer operates under standard tax rules.



Risk is distributed through the multitude of risk exposures.



The structure is built for full legal and tax compliance.

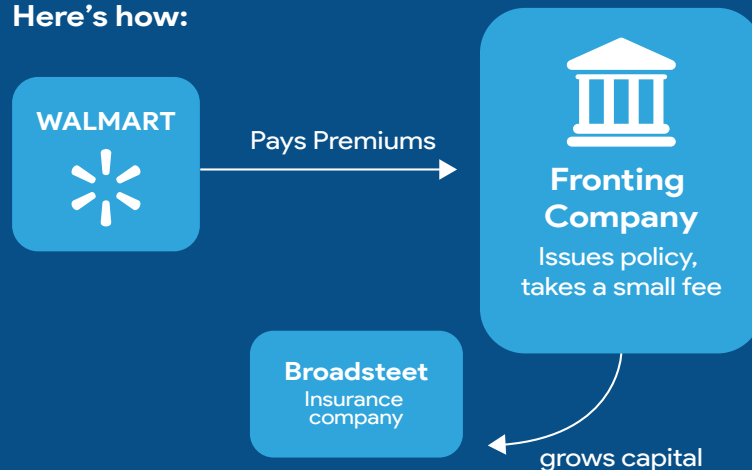
Bottom line: This is not a workaround. It's a real insurance and risk-management structure.

Fortune 500 Companies Like Walmart Use This Strategy

This structure isn't theoretical—it's how the biggest companies manage risk and capital.

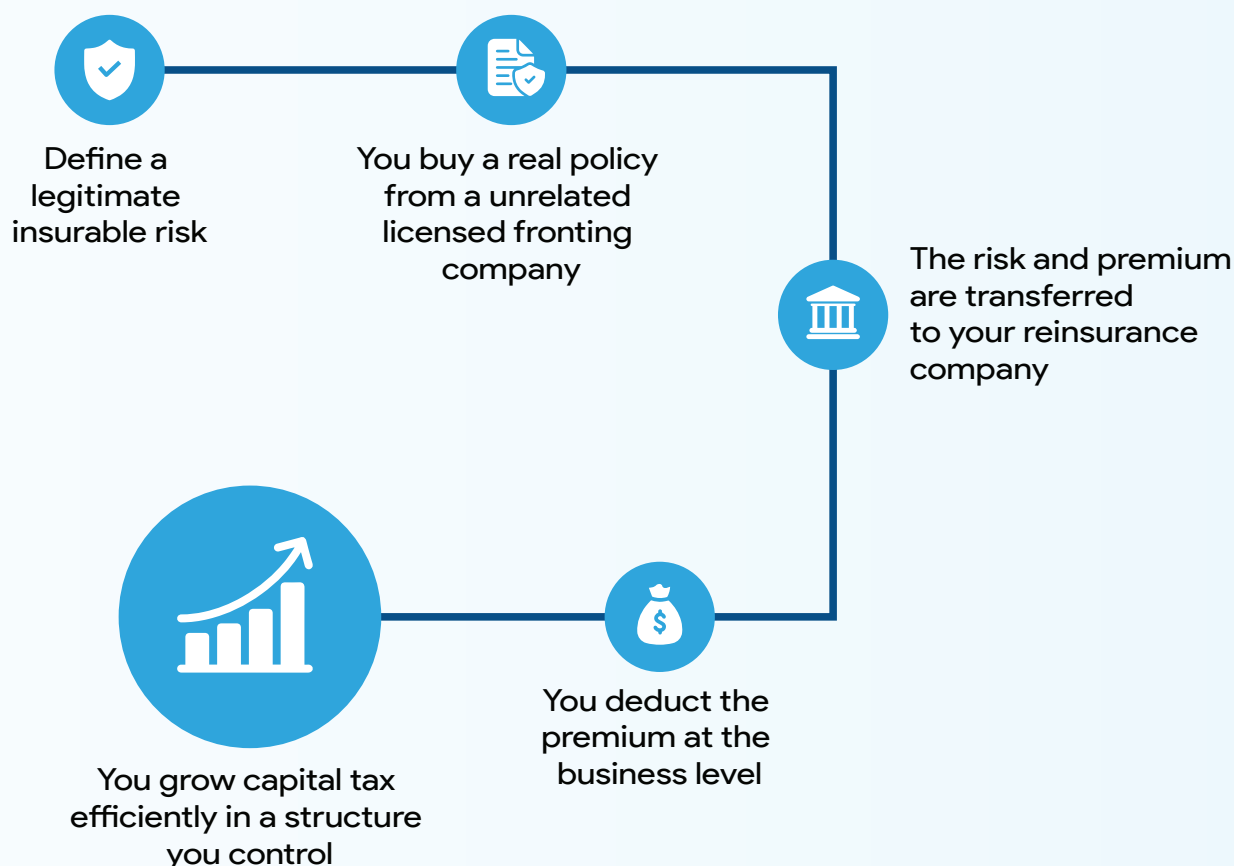
Walmart uses a company called **Broadstreet Insurance Company** to reinsure its own risks.

Here's how:



Bottom Line: Why This Strategy Works

This is not a loophole. It's a legal, tested strategy used by most of the largest and most sophisticated companies in the world.



Once risk is properly defined and underwritten, this becomes one of the most powerful and efficient ways for business owners to protect assets, reduce taxes, and build long-term wealth.

Important Note

While this strategy is legal and highly effective, success depends on proper design and execution. You must work with a team that has deep experience, a legal and compliance infrastructure, and a track record of successfully managing both initial setup and annual regulatory obligations.